

Message Text

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C O N F I D E N T I A L SECTION 1 OF 5 PEKING 0838

EXDIS

E.O. 11652: GDS
TAGS: CH US UR
SUBJ: TRANSCRIPT OF CODEL REUSS/BENTSEN MEETING WITH VICE PREMIER
KENG PIAO, MARCH 28, 1978

1. CODEL REUSS/BENTSEN HAD AN HOUR AND A HALF MEETING WITH VICE PERMIER KENG PAIO IN THE GREAT HALL OF THE PEOPLE ON TUESDAY, MARCH 28 AT 10 O'CLOCK. IN ADDITION TO THE CODEL MEMBERS OTHERS PRESENT INCLUDED CPIFA PRESIDENT HAO TE-CHING, VICE FOREIGN MINISTER WANG HAI-JUNG AND MFA AMERICAN AND OCEANIAN AFFAIRS DIRECTOR LIN PING AS WELL AS AMBASSADOR WOODCOCK AND RICHARD BOCK FROM USLO. FOLLOWING IS UNCLEARED TRANSCRIPT OF DISCUSSION.

2. AFTER SOME WELCOMING REMARKS BY KENG, SENATOR BENTSEN OPENED THE MEETING BY SAYING HOW GLAD HE WAS TO BE ABLE TO MEET A HERO OF THE LONG MARCH WHO HAD FINALLY ARRIVED AT THE GREAT HALL. ALTHOUGH THERE ARE SOME IDEOLOGICAL DIFFERENCES BETWEEN OUR TWO COUNTRIES, WE SEE NO IRRECONCILABLE DIFFERENCES THAT CANNOT BE OVERCOME WITH PATIENCE AND WISDOM IN THE SPIRIT OF THE SHANGHAI COMMUNIQUE. WE BELIEVE THAT OUR TWO NATIONS CAN WORK TOGETHER TO ACHIEVE WORLD PEACE. IN MY COUNTRY NO TRIP IS MORE COVETED BY MEMBERS OF CONGRESS THAN THE OPPORTUNITY TO COME TO VISIT THE PEOPLE'S REPUBLIC OF CHINA. IN
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THIS NEW ERA OF FRIENDSHIP WE THINK WE SHOULD USE EVERY OPPORTUNITY TO BUILD BRIDGES OF RESPECT AND FRIENDSHIP BETWEEN OUR TWO COUNTRIES THAT CAN STAND THE CHALLENGES AHEAD. (BENTSEN THEN INTRODUCED THE MEMBERS OF THE DELEGATION AND AMBASSADOR WOODCOCK.)
KENG: I AM GLAD TO MEET YOU, AMBASSADOR WOODCOCK. I SUPPOSE YOU KNOW ALL THE CHINESE HERE.

BENTSEN: YES, AND WE APPRECIATED THEIR CANDOR IN OUR DISCUSSIONS.

KENG: I HEAR YOU HAVE HAD VERY GOOD DISCUSSIONS WITH MY
CHINESE COLLEAGUES.

BENTSEN: THEY HAVE BEEN VERY ENLIGHTENING AND CANDID.
THEY HAVE GIVEN US A BETTER UNDERSTANDING OF THE
OBJECTIVES OF THE PRC AND OF THE MANY COMMON OBJECTIVES
WE CAN WORK TOGETHER TO ACHIEVE.

KENG: ESPECIALLY WITH RESPECT TO INTERNATIONAL ISSUES
WE HAVE SOME AREAS OF AGREEMENT BETWEEN US. THIS IS A
VERY GOOD FOUNDATION UPON WHICH TO BUILD OUR RELATIONS.
DON'T YOU THINK SO?

BENTSEN: YES. RIGHT NOW I WOULD LIKE TO DEFER TO
CHAIRMAN REUSS, WHO HAS SHOWN GREAT INTEREST IN THE
FUTURE RELATIONS BETWEEN OUR TWO COUNTRIES.

REUSS: THANK YOU. RIGHT NOW A CENTER OF ATTENTION
IS THE UNITED STATES IS THE QUESTION OF RELATIONS WITH
THE PRC, WHICH INVOLVES NOT ONLY TRADE RELATIONS BUT
IS ALSO A DIPLOMATIC AND POLITICAL QUESTION. WHILE
THE THREE CONDITIONS OF THE PRC GOVERNMENT FOR NORMAL-
IZATION ARE CLEAR, THERE ARE NEVERTHELESS THOSE IN
CONGRESS WHO FAVOR THE PRINCIPLES OF THE SHANGHAI
COMMUNIQUE LIKE MYSELF WHO WILL STILL BE ASKED CERTAIN
QUESTIONS. I HOPE THAT WITHOUT FEELING THAT THIS IS
IN ANY WAY AN INFRINGEMENT ON YOUR OWN INTERNAL
AFFAIRS THAT YOU ANSWER SOME OF THESE QUESTIONS.
SUPPOSE, FOR EXAMPLE, THAT THE THREEE CONDITIONS WERE
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ALL MET BY THE UNITED STATES. SUPPOSE WE WITHDREW OUR
TROOPS FROM THE ISLAND OF TAIWAN AND THAT WE CEASED TO
HAVE A FORMAL DIPLOMATIC MISSION INTAIWAN, THAT WE DID
WHAT OUR FRIENDS THE JAPANESE ARE DOING IN TERMS OF
THEIR RELATIONS. AND SUPPOSE THIRDLY THAT IT WAS
UNDERSTOOD THAT JUST AS THE PEACE AND FRIENDSHIP TREATY
BETWEEN CHINA AND THE SOVIET UNION IS CONSIDERED A DEAD
LETTER THAT IT WAS ALSO UNDERSTOOD THAT OUR TREATY
WITH TAIWAN WHICH LOOKED UPON TAIWAN AS CHINA WAS ALSO
A DEAD LETTER. IN THAT CASE WHAT PROCESS OF UNIFICATION
WITH CHINA OF THAT PART OF CHINA FORMERLY KNOWN AS
TAIWAN WOULD YOU ENVISAGE? WOULDN'T IT BE TIMELY NOW
FOR TALKS BETWEEN THE PRC AND VARIOUS GROUPS ON THE
ISLAND TO COMMENCE?

KENG: THAT IS A QUESTION FOR THE FUTURE. IT IS A
QUESTION THAT CONCERNS ONLY US AND TAIWAN. THE TREATY
BETWEEN THE UNITED STATES AND TAIWAN IS QUITE DIFFERENT
FROM OUR TREATY OF PEACE, MUTUAL ASSISTANCE AND FRIENDSHIP
WITH THE SOVIET UNION. WE DIRECTLY SIGNED THAT
TREATY WITH THE SOVIETS BUT THE OTHER TREATY IS SIGNED
BY THE US AND TAIWAN. ACTUALLY OUR TREATY WITH THE
SOVIET UNION EXISTS IN NAME ONLY. IT IS ALREADY 28

YEARS SINCE THE CONCLUSION OF THAT TREATY AND IT HAS
JUST TWO MORE YEARS TO RUN. WHEN THE TIME COMES I DON'T
THINK IT WILL EXPIRE SO QUIETLY AS YOU IMAGINE (LAUGHTER
AMONG THE CHINESE). DO YOU AGREE? SINCE THE US
WANTS TO NORMALIZE RELATIONS WITH US I ADVISE OUR
AMERICAN FRIENDS TO TAKE A CLEAR CUT ATTITUDE TOWARD
TAIWAN AND TOWARDS THE TREATY WITH TAIWAN.
REUSS: IN THE UNITED STATES AND IN THE US CONGRESS,
WHICH PASSES ON THE TREATY WITH TAIWAN, THERE IS GREAT
INTEREST IN THE ISSUE OF HUMAN RIGHTS. THEREFORE ONE
QUESTION WHICH WILL BE RAISED IS WHAT WILL BE THE FUTURE
OF THE PEOPLE OF TAIWAN. IT IS ONLY BECAUSE I AM VERY
FAVORABLY DISPOSED TOWARD NORMALIZATION MYSELF THAT I
VENTURE TO ASK THE QUESTION THAT I DID.
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C O N F I D E N T I A L SECTION 2 OF 5 PEKING 0838

EXDIS

KENG: TAIWAN HAS A POPULATION OF 16 MILLION WHILE ON
THE MAINLAND OF CHINA THERE ARE 800 MILLION PEOPLE.
BENTSEN: I WONDER IF YOU COULD ELABORATE ON YOUR POINT
ABOUT THE EXPIRATION OF THE TREATY BETWEEN CHINA AND
THE SOVIET UNION WHICH HAS ONLY TWO MORE YEARS TO GO.
I UNDERSTOOD YOU TO SAY THAT YOU WOULD NOT EXPECT IT
TO EXPIRE QUIETLY. IS THAT RIGHT? WOULD YOU EXPLAIN THAT FOR US?
KENG: THAT IS A QUESTION BETWEEN US AND THE SOVIET
UNION. WE ARE NOW STUDYING THIS QUESTION. ACCORDING
TO THE STIPULATION OF THE TREATY, IN THE 29TH YEAR,

THAT IS ONE YEAR BEFORE ITS EXPIRATION, THERE SHOULD BE AN INDICATION IN THAT RESPECT. I THINK THAT IS ENOUGH.

BENTSEN: WE AS A NATION DO NOT CONSIDER WAR TO BE INEVITABLE. WE WANT TO HAVE PEACE FOR THE WORLD. WE ARE WORKING THE THE RUSSIANS IN THE SALT TALKS AND WANT TO REACH AN AGREEMENT, BUT WE WILL ACCEPT NO AGREEMENT WITHOUT VERIFICATION PROCEDURES. IN ADDITION, WE CONSIDER IT IMPORTANT THAT WE REMAIN MILITARILY STRONG. OUR PRESIDENT RECENTLY WARNED THE POLAR BEAR THAT WE WILL MATCH THEM IN MILITARY EXPENDITURES. WE WOULD PREFER, HOWEVER, TO BEAT SWORDS INTO PLOWSHARES.

KENG: YOU ARE REFERRING TO THE SPEECH BY JIMMY CARTER ON MARCH 17?

BENTSEN: YES. THE NEW BUDGET CALLS FOR INCREASED MILITARY EXPENDITURES. THIS IS A SIGNAL TO THE RUSSIANS THAT WE HAVE THE WILL TO OPPOSE THEM SO THAT THEY WILL

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NOT MISUNDERSTAND OUR POSITION. EVEN THOUGH WE WANT PEACE WE ARE WILLING TO PAY THE PRICE TO OPPOSE AGGRESSION.

KENG: IT WILL BE DIFFICULT TO AVOID WAR BUT IT IS POSSIBLE TO POSTPONE THE OUTBREAK OF WAR. PERHAPS WE DIFFER ON THIS POINT.

BENTSEN: WE WILL CONTINUE TO WORK FOR WORLD PEACE. BUT AT THE SAME TIME WE WILL REMAIN STRONG. BUT NOW I WOULD LIKE TO DEFER TO MY COLLEAGUES.

KENG: YOU SAID THAT THE UNITED STATES IS CINCREASING ITS MILITARY STRENGTH. ACTUALLY BOTH THE US AND THE SOVIET UNION ARE STRENGTHENING THEIR MILITARY CAPABILITIES, AND, TO BE FRANK, WE ARE DOING THE SAME.

THIS IS NOT FOR THE PURPOSE OF ATTACKING OTHERS BUT FOR OUR OWN SELF-DEFENSE. AMONG OUR GOAL OF THE FOUR MODERNIZATIONS, ONE OF THEM IS MODERNIZATION OF NATIONAL DEFENSE. THE REASON FOR THIS IS VERY SIMPLE: BECAUSE THE US AND THE SOVIET UNION HAVE STRENGTHENED THEIR MILITARY CAPABILITIES SO CHINA MUST ALSO STRENGTHEN ITS MILITARY. I CAN ALSO TELL YOU CANDIDLY THAT WE DON'T THINK THAT THE US WILL ATTACK CHINA. THE PRACTICAL DANGER COMES FROM THE SOVIET UNION, WHICH IS NEARER TO CHINA THAN YOU ARE. I THINK YOU WILL BE PLEASED TO HEAR THAT.

BENTSEN: THE VICE PREMIER IS ABSOLUTELY RIGHT. I CAN'T IMAGINE A SITUATION WHERE THE US WOULD ATTACK THE PRC. WE THINK THAT WE HAVE MANY OBJECTIVES IN COMMON AND THAT WE CAN WORK TOGETHER TO ACHIEVE THESE OBJECTIVES. AMONG THEM ARE TRADE AND CULTURAL EXCHANGES. WE CAN BUILD BRIDGES OF RESPECT IN ORDER TO OVERCOME INDEOLOGICAL IDFFERENCES IN PURSUIT OF OUR MUTUAL GOAL OF WORLD PEACE. WE TOO HAVE A CONCERN ABUT RUSSIA'S INTENTIONS. WE HAD SLOWED DOWN ARMS PRODUCTION HOPEING THAT RUSSIA WOULD JOIN US, BUT THIS HAS NOT BEEN THE CASE AND WE WILL STRENGTHEN OUR ARMS

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WHILE AT THE SAME TIME CONTINUING TO TRY TO FIND A FORMULA TO REDUCE THE ARMS RACE.

KENG: HOW DO YOU THINK WE SHOULD SOLVE THE OBSTACLE TO NORMALIZATION, WHICH IS THE PROBLEM OF TAIWAN:

BENTSEN: I THINK THAT WE ARE IN A NEW ERA OF FRIENDSHIP BASED ON THE SHANGHAI COMMUNIQUE. PEOPLE IN THE US AND IN CONGRESS HAVE A NEW FEELING. WE ARE MAKING PROGRESS, NOT AS FAST AS SOME WOULD LIKE, BUT WE'RE MOVING FORWARD STEP BY STEP, AND I THINK WE WILL SEE THE ULTIMATE REALIZATION OF THAT GOAL.

KENG: I AGREE WITH THAT.

BENTSEN: I WOULD LIKE TO REFER TO SENATOR CHILES.

CHILES: GIVEN CHINA'S OBJECTIVES OF SEEKING TO MODERNIZE ITS ARMY ONLY FOR DEFENSIVE PURPOSES, AND THE U.S.

OBJECTIVE NEVER TO ATTACK FIRST BUT TO DEFEND OURSELVES IF ATTACKED, IT SEEMS THAT WE HAVE A COMMON PURPOSE IN PROMOTING WORLD PEACE. DO YOU HAVE ANY ADVICE AS TO HOW WE COULD COOPERATE TO PROMOTE WORLD PEACE?

KENG: THAT DEPENDS ON THE US. BEFORE THE OBSTACLE OF THE TAIWAN ISSUE IS CLEARED AWAY IT WILL BE HARD TO COOPERATE. SO THE MAIN THING IS THE ISSUE OF TAIWAN.

MICHEL: MOST OF US IN CONGRESS WERE SOLDIERS, SAILORS OR MARINES DURING WORLD WAR II. IMMEDIATELY AFTER THE END OF THE WAR WE THOUGHT THAT THE US COULD BE THE POLICEMAN OF THE WORLD. NOW WE REALIZE THAT WE CANNOT FULFILL THIS ROLE. WE, LIKE CHINA, BUILD OUR ARMED FORCES FOR DEFENSE, FOR OUR OWN NATIONAL SECURITY.

WHEN WE SEE THE SOVIET UNION USING CUBAN TROOPS AS SURROGATES IN AFRICA THERE IS A QUESTION IN THE CONGRESS WHETHER WE SHOULD INTERVENE IN THE SITUATION OR PLAY A PASSIVE ROLE AS BYSTANDERS. YOU MUST ALSO BE CONCERNED ABOUT SOVIET MOVES IN THAT PART OF THE WORLD. HOW DO YOU SEE OUR EFFORTS? HOW SHOULD WE ACT? WE ARE TEMPTED TO INTERJECT OURSELVES TO PRESERVE PEACE IN ORDER TO ALLOW THE THIRD WORLD COUNTRIES TO SETTLE THEIR OWN FUTURE.

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C O N F I D E N T I A L SECTION 3 OF 5 PEKING 0838

EXDIS

KENG: I WILL MAKE SOME COMENTS AND WE CAN ALSO
EXCHANGE VIEWS ON THIS SUBJECT. YOUR TERM "DEFENSE" IS
DIFFERENT FROM MY USE OF THE TERM. AS YOU KNOW WELL
CHINA HAS STILL NOT RECOVERED SOME TERRITORY
OCCUPIED BY OTHER COUNTRIES AND WE HAVE STATIONED NOT
A SINGLE SOLDIER ON FOREIGN TERRITORY. THIS IS A
DIFFERENCE WITH THE UNITED STATES, ISN'T IT?

MECHL: YES, BUT WE HAVE A TWO OCEAN FRONT. THE
COUNTRIES NORTH AND SOUTH OF US ON THE LAND MASS ARE
FRIENDLY. BUT WE DON'T CONSIDER THAT WE CAN IGNORE
OUR OCEAN FRONTS. WE CAN'T BECOME INTROVERTED WITH
TODAY'S MODERN MISSILES AND TECHNOLOGY, SO WE NEED TO
MAINTAIN OUR NAVY.

KENG: YOU HAVE STATED THE FACTS. NOW LET ME ASK YOU
A QUESTION. YOU REFERRED TO CUBAN SOLDIERS IN AFRICA.
WHAT ACTION DO YOU THINK THE US SHOULD TAKE? SO FAR
YOU HAVE NOT TAKEN ANY ACTION. I THINK IT IS HIGHLY
POSSIBLE FOR THE US TO EXERT PRESSURE ON THE SOVIET
UNION IN THIS MATTER. BUT THERE WAS NO ACTION ON THE
QUESTION OF ANGOLA, AND THERE HAS BEEN NO ACTION EITHER
ON THE QUESTION OF ETHIOPIA.

LONG: MAY I RESPOND FIRST, MR. VICE PREMIER. YOU MAKE
THE POINT THAT YOUR USE OF THE WORD "DEFENSE" IS DEFFERENT
FROM OURS. THEN YOU SAY THAT CHINA HAS NEVER
STATIONED ITS TROOPS ON FOREIGN SOIL. A STRONG POINT
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CAN BE MADE THAT THE US AFTER WORLD WAR II STATIONED
TROOPS ON FOREIGNSOIL IN ORDER TO STAND UP TO THE POLR
BEAR WHEN NO ONE ELSE HAD THE CAPABILITY OR THE WILL TO
DO SO, ONLY THE UNITED STATES. BUT WE ARE CRITICIZED
FOR HAVING USED TROOPS ABROAD, AND NOW WE FIND THAT

W TH RESPECT TO ANGOLA WE ARE ATTACKED FOR NOT DOING ANYIHING. THERE IS AN OLD SAING IN AMERICAN THAT YOU CAN'T HAVE YOUR CAKE AND EAT IT TOO. IT SEEMS TO ME THAT EITHER WE MUST TAKE A STRONG POSITION AND BE WILLING TO STAND UP TO THE RUSSIANS OR BE INTROSPECTIVE AND ONLY DEFEND OURSELVES AND LET OTHERS GO BY THE WAYSIDE. DO YOU HAVE ANY COMMENT?

KENG: I WOULD LIKE TO RAISE A POINT FOR EACH SIDE TO EXPRESS ITS VIEWS. SOME OF YOUR METHODS OF COUNTERING THE SOVIETS ARE NOT APPROPRIATE. FOR EXAMPLE, YOU HAVE ENGAGED IN APPEASEMENT AND MADE THE SOVIET UNION STRONGER AND CREATED TROUBLE FOR YOURSELVES. NOT LONG AGO I READ AN ARTICLE IN AN AMERICAN NEWSPAPER WHICH SAID THAT AMERICAN MACHINES HELP MANUFACTURE SOVIET TANKS. HAVE YOU SEEN IT?

LONG: MAY I RESPOND. I DIDN'T SEE THAT PARTICULAR ARTICLE. BUT IT SEEMS TO ME THERE IS AN INCONSISTENCY IN SAYING ON THE ONE HAND THAT WE ARE ENGAGED IN APPEASEMENT WHILE ON THE OTHER CRITICIZING US FOR STATIONING TROOPS ABROAD. THERE IS ANOTHER INCONSISTENCY, AND THAT IS THE EXISTENCE FOR ALMOST 30 YEARS OF THE PEACE AND FRIENDSHIP TREATY BETWEEN CHINA AND THE SOVIET UNION. FOR THIS PERIOD WE HAD TO CARRY ALMOST THE ENTIRE BURDEN OF OPPOSING THE SOVIET UNION. NO ONE DOUBTS WE MADE MISTAKES IN THIS PERIOD BUT IF YOU LOOK AT IT IN HINDSIGHT 25 OR 28 YEARS LATER IT SHOULD BE TAKEN AS A WHOLE AND NOT PICKED APART BY TAKING CONFIDENTIAL

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INDIVIDUAL POINTS WHERE WE MADE MISTAKES.

KENG: THERE IS A GREAT DIFFERENCE BETWEEN US ON THIS QUESTION. LET US LEAVE IT ASIDE AND TALK ABOUT AREAS OF AGREEMENT. FOR INSTANCE, YOU SPOKE OF THE EXPANSION OF TRADE AND MOVING TOWARD NORMALIZATION. HAVE YOU ANY IDEA AS TO HOW TO ACHIEVE THIS?

BENTSEN: YES. LET ME COMMENT. WE THINK THAT ONE OF THE PRC'S GREATEST RESOURCES IS IN THE DEVELOPMENT OF ITS OIL AND GAS RESERVES. WE BELIEVE THAT WE HAVE THE TECHNOLOGY TO HELP YOU IN THIS. IN TURN, WE CAN BE A GOOD CUSTOMER OF THE PRC. OUR PHILOSOPHY IS SIMILAR TO YOURS, WHICH IS NOT TO BECOME TOO DEPENDENT ON ONE SOURCE. WE WOULD PREFER TO GET SOME OIL FROM THE PRC SO AS NOT TODEPEND TOO MUCH ONMIDDLE EAST OIL. WE BELIEVE THERE COULD BE AN EXCHANGE OF TRADE AND TECHNOLOGY BENEFICIAL TO BOTH COUNTRIES. PERHAPS WE COULD LEARN FROM BRITAIN. THERE WERE PREVIOUSLY MANY PROBLEMS BUT RECENTLY THE ECONOMY HAS IMPROVED. THIS WAS DONE NOT THROUGH JOINT VENTURES BUT WITH SOME PRODUCTION SHARING. THE BRITISH ARE IN TOTAL CONTROL BUT MUCH

OF THE RISK, OR ALL OF THE RISK, IS BORN BY AMERICAN COMPANIES. PRODUCTION SHARING HAS BEEN VERY BENEFICIAL TO GREAT BRITAIN. PERHAPS SOMETHING LIKE THAT COULD BE DONE WITH THE PRC.

KENG: I THINK YOUR RELIANCE ON MIDDLE EASTERN OIL IS A THREAT TO YOU. YOU CONSUME SO MUCH OIL EVERY YEAR. MORE THAN ANY OTHER COUNTRY. PERHAPS THE CONSUMPTION OF OIL IN THE UNITED STATES IS AROUND 900 MILLION TONS. YOU ONLY PRODUCE 500 MILLION TONS.

BENTSEN: THAT IS APPROXIMATELY CORRECT. WE IMPORT 45 PERCENT OF OUR OIL BUT THIS OIL HAS ALSO FUELED ONE OF THE HIGHEST STANDARDS OF LIVING IN THE WORLD AND HAS CONTRIBUTED TO A VERY HIGH PRODUCTIVE CAPACITY.

KENG: I THINK A GREATER PART OF THE OIL IS CONSUMED IN AUTOMOBILES.

BENTSEN: WE ARE MAKING GREAT PROGRESS ON THIS. THE CARS BEINB BUILT NOW GET BETTER MILEAGE THAN BEFORE, AND
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WE ARE BUILDING SMALLER CARS. WE ARE ALSO DEVELOPING OTHER SOURCES OF ENERGY. WE ARE ONE OF THE GREATEST SOURCES OF COAL. WE HAVE ABOUT ONE THIRD OF ALL THE COAL IN THE WORLD. SO GRADUALLY WE WILL CONVERT TO THE USE OF COAL AND NUCLEAR POWER.

KENG: I THINK YOU ARE ALSO DEVELOPING SOLAR ENERGY.

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C O N F I D E N T I A L SECTION 4 OF 5 PEKING 0838

EXDIS

BENTSEN: YES.

LEHMAN: FIRST LET ME THANK THE VICE PREMIER FOR THE GRACIOUS HOSPITALITY WE HAVE RECEIVED IN THE PRC. I

PLEDGE THAT AS LONG AS I AM IN CONGRESS I WILL WORK DILIGENTLY FOR THE FULL NORMALIZATION OF DIPLOMATIC RELATIONS BETWEEN THE PRC AND OUR COUNTRY. I THINK THAT ONLY WITH DEVELOPMENT OF RUST AND FRIENDSHIP BETWEEN OUR TWO COUNTRIES CAN WE BUILD LASTING PEACE THROUGHOUT THE WORLD. BUT IN ONE RESPECT (I ALREADY ASKED THIS QUESTION OF MR. HAO) I THINK THAT FRIENDSHIP AND TRUST SHOULD NOT BE UNILATERAL BETWEEN CHINA AND THE UNITED STATES. WE SHOULD BUILD BRIDGES OF FRIENDSHIP WITH COUNTRIES THAT ARE YOUR FRIENDS AND YOU SHOULD BUILD BRIDGES WITH OUR FRIENDS, SO WE COULD ALL COME TOGETHER. AS BRIDGES OF FRIENDSHIP ARE BUILT BETWEEN THE UNITED STATES AND CHINA, CAN'T THIS BE EXTENDED TO INCLUDE SMALL COUNTRIES THAT ARE YOUR FRIENDS AND TO INCLUDE ISRAEL WITH WHOM WE HAVE A SPECIAL RELATIONSHIP. AS FRIENDSHIP AND DIPLOMATIC RELATIONS BEGIN TO SUCCEED BETWEEN US AND CHINA, COULD THE PRC EXTEND THE POSSIBILITY OF FRIENDSHIP TOWARD OUR FRIENDS SUCH AS ISRAEL?

KENG: IS HE JEWISH (NOT TRANSLATED)? I HEAR YOU ARE JEWISH. SO NATURALLY YOU ARE VERY CONCERNED ABOUT ISRAEL. I THINK IT IS MORE APPROPRIATE TO TALK ABOUT RELATIONS BETWEEN OUR TWO COUNTRIES. WE SHARE THE SAME

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IDEA THAT WE SHOULD ESTABLISH A BRIDGE OF FRIENDSHIP BETWEEN OUR TWO COUNTRIES. FOR INSTANCE WE CAN ESTABLISH FRIENDSHIP BETWEEN US IN THE FIELD OF OIL PRODUCTION. WE KNOW THAT US TECHNOLOGY AND EQUIPMENT FOR OFFSHORE DRILLING IS VERY ADVANCED. RECENTLY A CHINESE OIL DELEGATION VISITED YOUR COUNTRY FOR STUDY, AND WE ARE VERY GRATEFUL FOR YOUR GRACIOUS HOSPITALITY TO THAT DELEGATION. I HAVE A QUESTION. IF CHINA HAS THE DESIRE TO INVITE AN OIL DELEGATION FROM THE UNITED STATES, DO YOU THINK THE UNITED STATES WOULD ACCEPT?

BENTSEN: BEING FROM TEXAS, WHERE WE JUST RECEIVED YOUR DELEGATION, I THINK WE SHOULD BE DELIGHTED TO HAVE AN INVITATION FOR AMERICAN OIL EXPERTS TO COME TO CHINA. AND I WOULD BE PLEASED TO COOPERATE AND COUNCIL WITH OUR GOVERNMENT ON THIS. LET ME SAY FIRST THAT CONGRESSMAN LONG IS FROM LOUISIANA, WHICH IS ALSO AN OIL STATE, AND HE WANTS TO MAKE SURE THAT IT WOULD NOT ONLY BE A TEXAS DELEGATION.

LONG: MOST OF THE OFFSHORE OIL IN THE US IS IN LOUISIANA AND THERE IS ALSO MUCH ONSHORE OIL. IN FACT THERE IS MORE OIL PRODUCTION PER ACRE IN LOUISIANA THAN TEXAS. TEXAS IS JUST BIGGER. BEFORE I LEFT THE UNITED STATES I SPOKE TO A NUMBER OF PROMINENT OIL PEOPLE AND I ASKED THEM THAT IF THE OPPORTUNITY WERE OFFERED WOULD

THEY BE INTERESTED IN COMING TO CHINA. A SUBSTANTIAL
NUMBER ARE, I ASSURE YOU.

REUSS: I WOULD LIKE TO GET BACK TO AN ECONOMIC QUESTION.
YOU SAID EARLIER THAT NORMALIZATION OF RELATIONS
WOULD HAVE A PROFOUND DIPLOMATIC, POLITICAL AND
STRATEGIC EFFECT ON OUR RELATIONSHIP. WHAT WOULD BE
THE EFFECT ON THE ECONOMIC SIDE? IN YOUR NEW
ECONOMIC PLAN THERE ARE 120 LARGE INDUSTRIAL PROJECTS,
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AND THE PRC ALSO ENVISAGES SOME IMPORTS OF FOOD. IN
THE EVENT OF NORMALIZATION COULD THE US LOOK FORWARD
TO A BETTER CHANCE OF PARTICIPATING IN THE 120 LARGE-
SCALE PROJECTS IN THE INDUSTRIAL FIELD AND TO A MORE
STABLE TRADE IN FOOD, FOR INSTANCE, IN WHEAT AND SOYBEANS?
NOW WE ARE A RESIDUAL SUPPLIER. WE RECOGNIZE
THIS AND I AT LEAST UNDERSTAND IT. BUT IN THE CASE OF
NORMALIZATION WILL THAT CHANGE?

KENG: TRADE RELATIONS BETWEEN OUR COUNTRIES SHOULD
BECOME MORE BENEFICIAL TO BOTH SIDES. I THINK YOU'D
AGREE ON THAT. I THINK THERE ARE PROSPECTS TO
DEVELOP ON THIS. IN TRADE WE SHOULD SUPPLY EACH OTHER
WITH WHAT THE OTHER SIDE NEEDS. AS LONG AS THERE IS NO
DISCRIMINATION TRADE CAN DEVELOP SUCCESSFULLY. WE HAVE
RECENTLY CONCLUDED A LONG TERM TRADE AGREEMENT WITH
JAPAN, AND WE INTEND TO SIGN AN AGREEMENT WITH THE
COMMON MARKET IN THE NEAR FUTURE. IF THE TRADE TERMS
ARE GOOD, AND IF TRADE IS CONDUCTED ON THE BASIS OF
EQUALITY AND MUTUAL BENEFIT, THEN WE CAN DO THE SAME
WITH THE UNITED STATES. ALTHOUGH WE IMPORT SOME FOOD
GRAIN, THE AMOUNT IS NOT GREAT. WE IMPORT SOME WHEAT
AND WE EXPORT SOME RICE. BECAUSE RICE HAS A HIGHER
PRICE WE CAN EXPORT ONE TONE OF RICE AND IMPORT TWO
TONS OF WHEAT. BUT IF YOU DON'T SELL US WHAT WE
NEED, IT WILL BE DIFFICULT TO EXPAND TRADE. FOR
INSTANCE COMPUTERS. WE WANT TO HAVE YOUR COMPUTERS
BUT YOU WON'T SELL THEM. WE ARE READY TO BUY SOME OF
YOUR ADVANCED EQUIPMENT; FOR EXAMPLE, WE HAVE BOUGHT
SOME BOEING 707'S. OF COURSE, THAT KIND OF BOEING IS
NOT THE MOST ADVANCED IN THE US, BUT IN CHINA NO
PLANE IS BETTER THAN THE BOEING.

BENTSEN: IF YOU ENTER INTO A LONG TERM AGREEMENT WITH
THE COMMON MARKET AND HAVE THE TRADE AGREEMENT WITH
JAPAN, WHICH IS VERY SUBSTANTIAL, IF WE NORMALIZE WILL
THERE BE ANY TRADE LEFT OVER FOR THE US? OR ARE YOU
GOING TO EXPAND IT? WE UNDERSTAND THAT NOW TRADE
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AMOUNTS TO ONLY 2 PERCENT OF YOUR GNP. IN THE FUTURE WILL
YOU EXPAND THIS?
KENG: WE INTEND TO EXPAND OUR TRADE BUT NOT SUBSTANTIALLY.
WE WILL MAINLY RELY ON THE DOMESTIC MARKET.
BUT MUCH TRADE CAN BE DONE BETWEEN OUR TWO COUNTRIES.

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C O N F I D E N T I A L SECTION 5 OF 5 PEKING 0838

EXDIS

FOR INSTANCE, YOU REFERRED TO OIL. CHINA HAS RICH OIL
DEPOSITS, ESPECIALLY IN THE SEA. YOUR TECHNOLOGY IS
VERY ADVANCED. WE CAN EXPAND TRADE IN THIS FIELD. THAT
IS JUST ONE EXAMPLE. WHEN OIL PRODUCTION IS INCREASED,
APART FROM SATISFYING DOMESTIC PRODUCTION NEEDS WE
INTEND TO EXPORT SOME. WHO WILL BE OUR CUSTOMER? I
CAN TELL YOU WE WILL NOT SELL IT TO THE SOVIET UNION,
AND THE SOVIET UNION WILL NOT BUY EITHER. YOU CAN REST
ASSURED ON THAT POINT. IF OIL IS BOUGHT AT INTERNATIONAL
PRICES THEN ANY COUNTRIES THAT NEED OIL INCLUDING THE
UNITED STATES CAN BUY CHINESE OIL. DO YOU THINK THAT IS RIGHT?
BENTSEN: OH YES. WE'LL STAND IN LINE TO BUY IT.
MICHEL: WILL CHINA EXPAND ITS MERCHANT MARINE AS TRADE EXPANDS?
KENG: YES, GRADUALLY.
MICHEL: IS THERE A MARKET FOR CORN IN CHINA? WE HAVE
A LOG OF CORN AT A VERY LOW PRICE.
KENG: AS I SAID EARLIER WE IMPORT ONLY A LITTLE FOOD
GRAIN. WE WON'T IMPORT LARGE AMOUNTS LIKE THE SOVIETS.
THE SOVIET UNION HAS PUT HARDLY ANY INVESTMENT INTO
AGRICULTURE, SO IT HAS NOT DEVELOPED ITS AGRICULTURE.
EVERY YEAR THE SOVIETS BLAME THE WEATHER FOR THEIR
AGRICULTURAL FAILURE. IN CHINA WE MAINLY RELY ON OUR
OWN EFFORTS TO SOLVE OUR AGRICULTURAL PROBLEM.

BENTSEN: I WOULD LIKE TO TELL THE VICE PREMIER THAT
DURING THE PAST FEW DAYS WE HAVE EATEN SO WELL AND
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OUR HOSTS HAVE GIVEN US SO MUCH FOOD THAT YOU MAY HAVE
A FOOD SHORTAGE THIS YEAR.

CHILES: CAN THE VICE PREMIER TELL US WHAT OTHER
PRODUCTS, GOODS, OR SERVICES CHINA WILL HAVE TO SELL
TO THE UNITED STATES IN EXCHANGE FOR TECHNOLOGY?

KENG: THAT WILL BE A PROBLEM FOR THE FOREIGN TRADE
PEOPLE. YOU WILL HAVE A DISCUSSION THIS AFTERNOON WITH
A VICE MINISTER OF FOREIGN TRADE. PERHAPS HE CAN TELL
YOU MORE CONCRETELY.

REUES: YOU HAVE MADE THE STATEMENT, AND I AGREE WITH
IT, THAT THE US IMPORTS TOO MUCH OIL. THIS HAS CAUSED
THE US DOLLAR TO GO DOWN. SUPPOSE THAT NORMALIZATION
OCCURS AND OIL EXPERTS COME TO HELP IN THE PRODUCTION
OF CHINESE OIL. AT WHAT POINT IN THE FUTURE WILL CHINESE
OIL BECOME EXPORTABLE TO THE WORLD AND TO THE US?

KENG: OIL EXPORTS WILL ONLY BE VERY LIMITED BEFORE THE
DEVELOPMENT OF OFFSHORE OIL. NOW WE MAINLY WANT TO
DEVELOP OUR OFFSHORE OIL BECAUSE WE CAN DEPEND ON OUR
OWN TECHNOLOGY FOR ONSHORE DEVELOPMENT. BUT AS OIL
PRODUCTION INCREASES THERE WILL ALSO BE MORE NEED FOR
IT AT HOME. I THINK THAT THERE ARE BROAD PROSPECTS FOR
TRADE AND COOPERATION IN THE FIELD OF OIL. BUT THIS
DEPENDS ON THE TERMS. IF THEY ARE FAVORABLE, IT MAY
BE POSSIBLE. IF THEY ARE STRICT, THEN THAT IS A DIFFERENT MATTER.

BENTSEN: PERHAPS IT WOULD BE POSSIBLE ON THE SAME KIND
OF TERMS USED WITH GREAT BRITAIN, NO A JOINT VENTURE
BUT ONE IN WHICH THE UNITED STATES COMPANIES TAKE ALL
THE RISKS, THAT IS, PRODUCTION SHARING.

LEHMAN: I WOULD LIKE TO ASK ABOUT A DIFFERENT KIND OF
EXCHANGE, AN EXCHANGE OF BRAINS AND MINDS. ONE THING
THAT IS A MAJOR CONSIDERATION IN BOTH COUNTRIES IS THE
DEVELOPMENT OF HEALTH CARE, OF MEDICAL TECHNOLOGY, THE
PREVENTION AND CARE OF DISEASE. WHAT CAN WE DO FOR
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EACH OTHER IN THIS FIELD OF MEDICAL CAPABILITIES?
YOU HAVE HAD YOUR BREAKTHROUGHS AND WE HAVE HAD OURS.
WHAT CAN WE DO NOW TO FACILITATE A GREATER EXCHANGE OF
IMAGINATIVE IDEAS TO DEAL WITH THE MEDICAL PROBLEMS WE
BOTH FACE?

KENG: WE CAN STUDY YOUR PROPOSAL.

HAO: WE WILL CONVEY YOUR PROPOSAL TO THE DEPARTMENT

CONERNED FOR STUDY.

KENG; I THINK THAT THERE IS A POSSIBILITY FOR COOPER-
ATION IN THIS FIELD. YOU ARE QUITE ADVANCED IN THE STUDY OF
CANCER AND WE SHOULD LEARN FROM YOU IN THIS FIELD.

BENTSEN: MR. VICE PREMIER I KNOW YOU ARE A VERY BUSY
MAN AND I WANT TO THANK YOU FOR YOUR TIME AND YOUR
HOSPITALITY. THERE ARE SOME DIFFERENCES BETWEEN US,
AND I THINK THAT WE CAN WORK TOGETHER TO OVERCOME
THEM IN THE INTEREST OF OUR TWO PEOPLES. I HOPE THAT IN THE
FUTURE WE CAN WORK TOGETHER FOR THE FRIENDSHIP OF OUR PEOPLES.

KENG; I AGREE. THANK YOU ALL.

WOODCOCK

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